

Press release

CMA independent inquiry group publishes provisional findings in cloud services market investigation

The inquiry group's report provisionally recommends that the CMA board considers investigating AWS and Microsoft's cloud service activities using new digital markets powers.

From: **Competition and Markets Authority** ([/government/organisations/competition-and-markets-authority](https://www.gov.uk/government/organisations/competition-and-markets-authority))

Published 28 January 2025



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- Provisional findings show competition in the £9 billion UK cloud services markets is not working as well as it could be.

The Competition and Markets Authority's (CMA) independent inquiry group has

today published provisional findings following an in-depth assessment into cloud services. It has provisionally found that competition is not working as well as it could be, which is likely to be leading to higher costs, less choice, less innovation and lower quality of service for businesses and organisations across the UK economy.

Cloud services provide vital infrastructure which supports improved innovation, productivity and scaling for most businesses and organisations in the UK. Customers include financial services, retailers, digital start-ups and key public services who spent £9 billion on cloud services in 2023, a figure growing by over 30% each year.

In its report, the inquiry group provisionally found:

- Cloud customers face a limited choice of providers and do not consider many providers are able to provide the range of services that they need. Amazon Web Services (AWS) and Microsoft are the two large providers of cloud services, each with a share of up to 40% of UK customer spend on cloud services. Google is the next largest provider with a much smaller share.
- Technical and commercial barriers make it difficult for cloud customers to switch between and use different cloud providers, locking them into their initial choices which may not reflect their evolving business needs.
- There are significant barriers to entry and expansion due to the very large capital investment needed to supply cloud services, making it harder for alternative cloud suppliers to enter and grow in these markets.
- Microsoft is using its strong position in software to make it harder for AWS and Google to compete effectively for cloud customers that wish to use Microsoft software on the cloud. This reduces the competitive challenge that AWS and Google can provide in cloud services and to Microsoft's position.

The inquiry group provisionally believes these concerns make it harder for customers to switch cloud provider or use multiple clouds, which may ultimately impact the price and quality of cloud services. The ability of UK businesses to put healthy pressure on cloud providers to offer better deals is key to ensuring good outcomes and to unlocking the potential benefits of cloud services.

The inquiry group provisionally recommends that the CMA use its powers under the Digital Markets, Competition and Consumers Act 2024 (DMCCA) to consider whether to designate the two largest providers, AWS and Microsoft, with strategic market status (SMS) in relation to their respective digital activities in cloud services.

Kip Meek, chair of the CMA's independent inquiry group, said:

“ Cloud services underpin most business operations, providing vital infrastructure to businesses and organisations across the UK economy. Our provisional view is that competition in this market is not working as well as it could be. So, we

propose that the CMA considers investigating the largest cloud service providers using its new digital markets powers.

“ Effective competition in the delivery of these vital services could drive choice, quality and competitive prices – not only helping UK businesses but boosting innovation, productivity, growth and investment across the UK economy.”

The inquiry group will consult on its provisional findings and recommendations before making a final decision by the statutory deadline of 4 August 2025.

For more information, including how to respond to the consultation, visit the [cloud services market investigation \(https://www.gov.uk/cma-cases/cloud-services-market-investigation\)](https://www.gov.uk/cma-cases/cloud-services-market-investigation) case page.

Notes to Editors:

1. The CMA defines cloud services as infrastructure as a service (IaaS) and platform as a service (PaaS). IaaS includes services, such as compute, networking and storage and PaaS includes platforms based on this infrastructure which enable customers to develop and run applications in the cloud.
2. The purpose of a market investigation is to decide whether any feature or combination of features of the cloud services markets in the UK prevents, restricts or distorts competition in connection with the supply or acquisition of any goods or services in the UK or a part of the UK (an ‘adverse effect on competition’ or ‘AEC’). Should we find an AEC, we are required to decide whether we should take any remedial action or whether we should recommend the taking of action by others to remedy, mitigate or prevent the AECs we have found.
3. The group provisionally considers that the DMCC Act powers would be better suited to addressing the concerns it has identified than the powers directly available to it in the market investigation because they would allow the CMA to take a targeted and flexible approach to remedies, as a result of their greater flexibility, including new powers designed to enhance the effectiveness of remedies, and better provisions for ongoing monitoring and oversight. Greater competition in cloud services has the potential to unlock benefits for UK businesses and drive economic growth.
4. As set out in the full provisional findings report which will be available on the case page in due course, the interventions the CMA could consider in this market (should AWS and Microsoft be designated with SMS) may include a range of measures which might encourage appropriate technical standardisation, reduce data transfer charges incurred in switching and multi cloud and/or ensure fair licensing of software. The group provisionally considers that measures aimed at AWS and Microsoft would address its market-wide concerns by directly benefitting the majority of UK customers and affecting the competitive conditions for other

providers.

5. The CMA's [market investigation \(https://www.gov.uk/cma-cases/cloud-services-market-investigation#statutory-timetable\)](https://www.gov.uk/cma-cases/cloud-services-market-investigation#statutory-timetable) began following a reference from Ofcom, which had carried out a market study on cloud services. The CMA investigated the following features identified by Ofcom: egress fees, technical barriers and committed spend discounts. While the CMA has provisionally found that egress fees and technical barriers constitute features which harm competition in the markets, it has provisionally found that committed spend discounts (as currently implemented by cloud service providers), while widespread, do not currently harm competition as rivals can profitably compete against them.
6. The Digital Markets, Competition and Consumers Act (DMCCA) came into force on 1 January 2025. For more information, visit the CMA's initial plans following the commencement of the regime.
7. Under the new digital markets and competition regime the CMA can – if warranted – impose legally binding conduct requirements (CRs) or pro-competition interventions (PCIs) on firms in relation to the digital activity for which they have been designated as having SMS. The CMA board will decide if and when to open SMS designation investigations.
8. For media enquiries, contact the CMA press office on 020 3738 6460 or press@cma.gov.uk.

Published 28 January 2025



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